

Eurozone

Falls in activity and employment to deepen as focus of downturn shifts towards large companies

This note uses Markit's PMI survey data to explore business activity and employment trends at small, medium and large companies the Eurozone, looking across both manufacturing and services.

Eurozone

During the 2005 to mid-2007 period of above trend growth, large companies were the main drivers of the upturn. Although output at large companies started to fall later than at small firms, in July as opposed to June, the drop in the large company activity index since the onset of the financial crisis has been noticeably more severe. The pattern was also repeated for employment, as large and medium-sized firms – who were the main job creators in the prior upturn – saw a much sharper reversal in fortunes.

This was especially noticeable during the November survey period, with indexes for business activity and employment at large companies well below those for small and medium-sized firms.

Germany

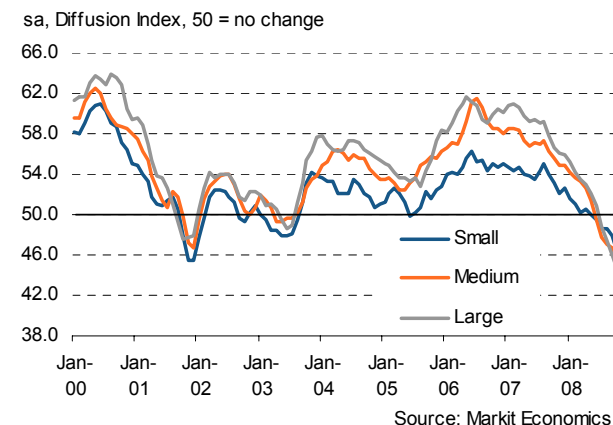
The experience of Germany during the current Eurozone recession has been different to that of the other major big-four economies. The onset of contraction in Germany was later than elsewhere and downturn has, thus far, remained shallower.

Since mid-2008, activity indexes for small, medium and large German firms have converged and fallen in tandem. The lagged effect of the wider downturn on Germany has also led to a more subdued weakening in labour market conditions, as German companies have hoarded labour and delayed job losses.

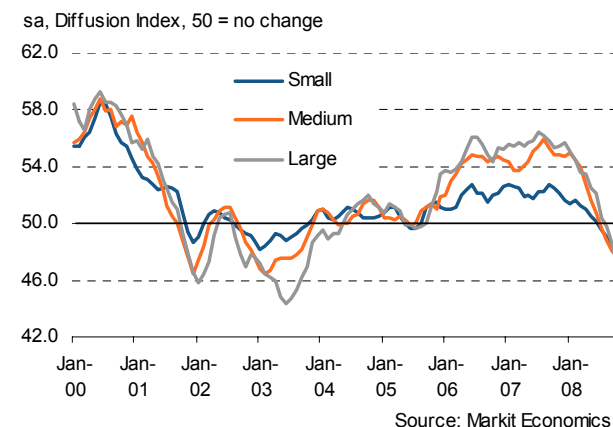
France and Italy

The deepening of the downturns in France and Italy from mid-2008 onwards have been led by larger companies, a trend that has been replicated in the labour market. November PMI data for France and Italy

Eurozone economic activity by company size



Eurozone employment by company size



suggests that the drag on the overall economy exerted by the retrenchment at large companies has gained momentum towards year-end.

Spain

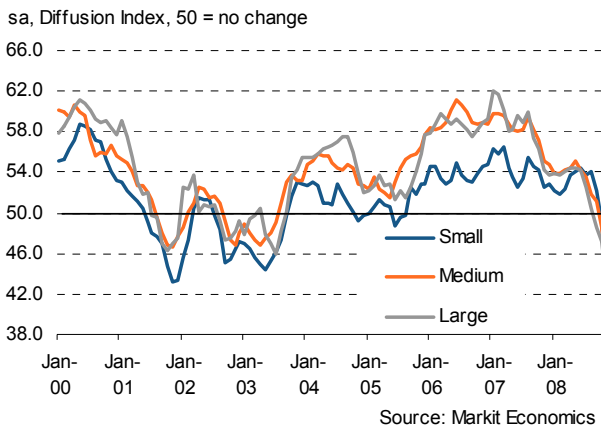
The downturn in Spain is unprecedented in the PMI survey history and is having a far-reaching effect on activity levels across the small, medium and large company segments.

Job losses to accelerate?

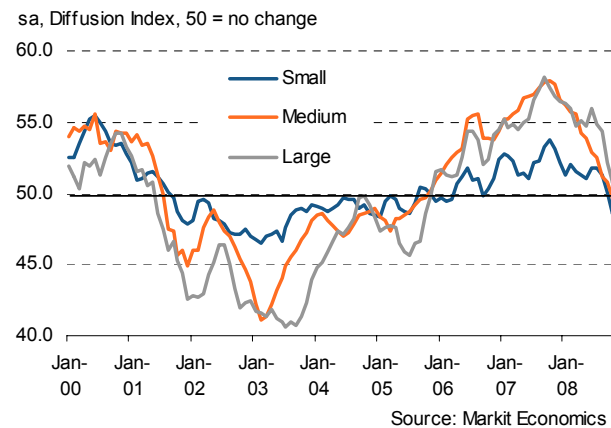
The focus of the euro area recession is shifting towards large companies towards the end of 2008. Given the greater impact that this is likely to have of official figures for activity and employment, this would suggest that the retrenchment in activity will continue to deepen, resulting in an accelerated pace of job losses.

Company size data by country

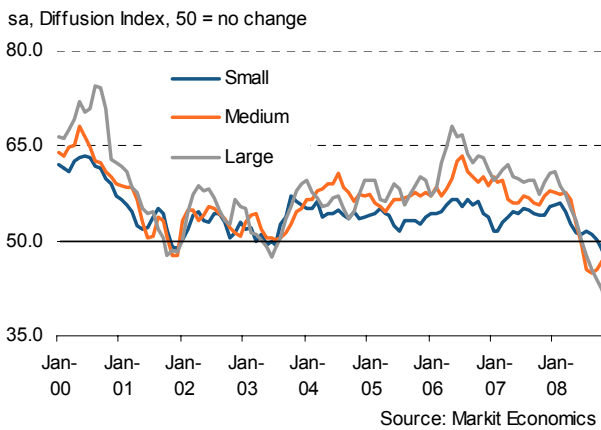
German economic activity by company size



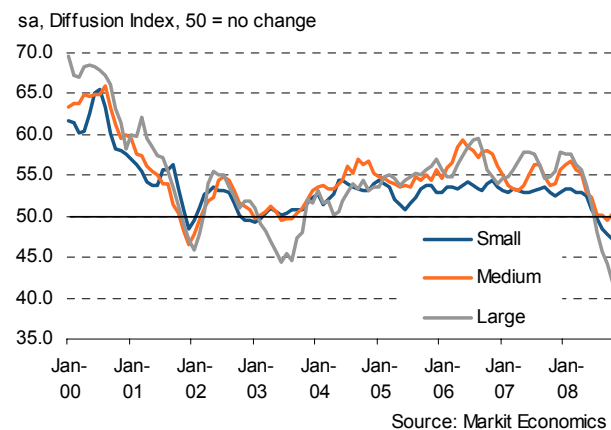
German employment by company size



French economic activity by company size

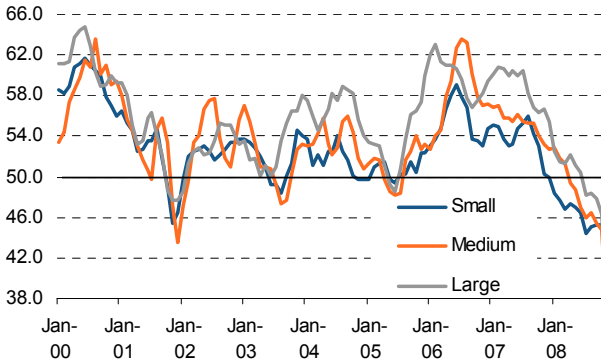


French employment by company size



Italian economic activity by company size

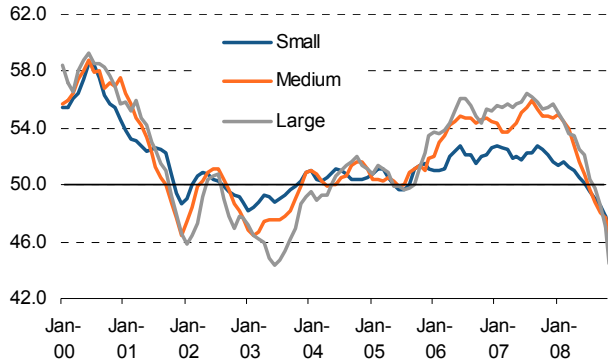
sa, Diffusion Index, 50 = no change



Source: Markit Economics

Italian employment by company size

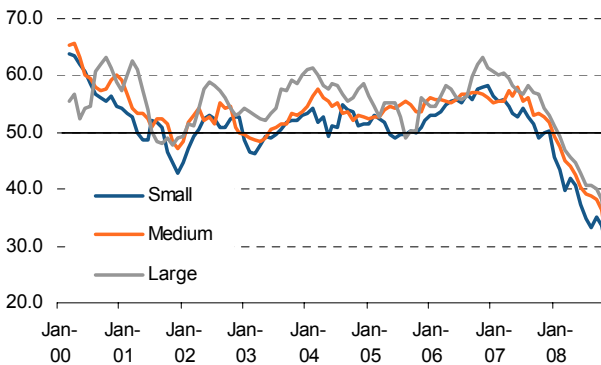
sa, Diffusion Index, 50 = no change



Source: Markit Economics

Spain economic activity by company size

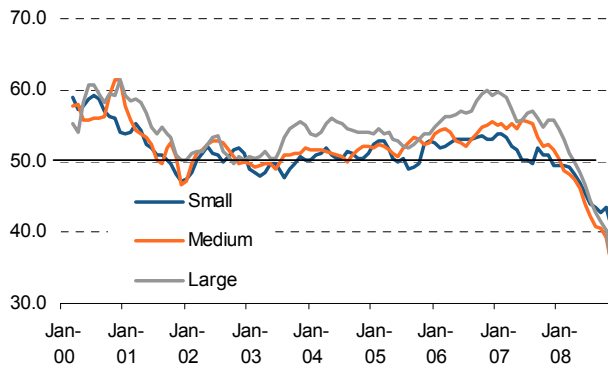
sa, Diffusion Index, 50 = no change



Source: Markit Economics

Spain employment by company size

sa, Diffusion Index, 50 = no change



Source: Markit Economics

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